SOS IN MANAGEMENT
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RURAL AND AGRICULTURAL MARKETING
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OVERVIEW OF AGRICULTURAL MARKETING

A vast majority of the population of India lives in villages and agriculture is the main profession of people since times immemorial. In the olden times, the villages were self-sufficient and the population was interdependent. People exchanged what they produced. The activity of marketing was of an activity of distribution. As the means of transportation and communication improved and the economic operations of the countries became more and more complex, the process of marketing of agricultural produce also became more and more complex. Newer arrangements for distribution came into existence in this process the organization of marketing activities underwent a change.

India has a vast agricultural raw-material base, and in the present times of liberalization of economy, agriculture is also undergoing a sea change. The multinational companies are rushing to India in the areas of fast food and processed foods with the hope of utilizing this vast agricultural base. This has created opportunities as well as challenges in the area of agricultural marketing. On one hand, there are opportunities for the marketer, on the other hand the land holdings of the farmers are getting smaller and smaller. They are unable to make heavy investments and reap benefits of scale. The prices of agricultural products are falling, while the cost of inputs is increasing. This situation has created several newer arrangements in the field of agricultural marketing in India.

PHASES OF AGRICULTURAL DEVELOPMENT

I. Pre-Green Revolution Period

The period from 1950/51 to mid 1960s which is also called pre green revolution period witnessed tremendous agrarian reforms, institutional changes and development of major irrigation projects. The intermediary landlordism was abolished; tenant operations were given security of farming and ownership of land. Land ceiling acts were imposed by all the states to eliminate large sized holdings and cooperative credit
institutions were strengthened to minimize exploitation of cultivators by private money lenders and traders Land consolidation was also affected to reduce the number of land fragments. Expansion of area was the main source of growth in the pre green revolution period

II. Green Revolution Period

The country faced severe food shortage and crisis in early 1960s which forced the policy makers to realize that continuous reliance on food imports and aid imposes heavy costs in terms of political pressure and economic instability and there was a desperate search for a quick breakthrough in agricultural production.

One choice before the country was to go for spread of new seeds of high yielding varieties (HYV) of wheat and rice which were available with CGIAR institutes like CIMMYT and IRRI. Amidst a serious debate the then Government took bold decision to go for the import

and spread of HYV of wheat and rice which involved use of fertilizers and irrigation. This marked second phase of agriculture policy in the country. The strategy produced quick results as there was quantum jump in yield. Consequently, wheat and rice production in a short span of 6 years between 1965/66 and 1971/72 witnessed an increase of 30 million tones which is 168 percent higher than the achievement of 15 years following 1950/51.

The biggest achievement of new agricultural strategy, also known as green revolution technology, has been attainment of self sufficiency in food grains. Since the green revolution technology involved use of modern farm inputs, its spread led to fast growth in agro input industry. Agrarian reforms during this period took back seat while research, extension, input supply, credit, marketing, price support and spread of technology were the prime concern of policy makers.

Two very important institutions, namely Food Corporation of India and Agricultural Prices Commission, were created in this period in the beginning of green revolution period, to ensure remunerative prices to producers, maintain reasonable prices for consumers, and to maintain buffer stock to guard against adverse impact of year to year fluctuations in output on price stability. These two institutions have mainly benefited rice and wheat crops which are the major cereals and staple food for the country.

III. Post Green Revolution Period

The next phase in Indian agriculture began in early 1980s. While there was clear change in economic policy towards delicensing and deregulation in Industry sector, agriculture policy lacked direction and was marked by confusion. Agricultural growth accompanied by increase in real farm incomes led to emergence of interest groups and lobbies which started influencing farm policy in the country. There has been a considerable increase in subsidies and support to agriculture sector during this period while public sector spending in agriculture for infrastructure development started showing decline in real term but investments by farmers kept on moving on a rising. The output growth, which was concentrated in very narrow pockets, became broad- based and got momentum. The rural economy started witnessing process of diversification which resulted into fast growth in non food grain output like milk, fishery, poultry, vegetables, fruits etc which accelerated growth in agricultural GDP during the 1980s. This growth seems largely market driven.

IV. Post Liberalization Period

Though green revolution has been widely diffused in irrigated areas throughout the country, the dry land areas have not seen benefit of technological breakthrough as witnessed through green revolution technology. Of late, improved varieties of oilseeds and course cereals have provided some opportunities for productivity growth in dry land areas. A new phase was started in India’s economic policy in 1991 that marked significant departure from the past. Government initiated process of economic reforms in 1991, which involved deregulation, reduced government participation in economic activities, and liberalization. Though much of the reforms were not initiated to directly affect agriculture sector, the sector was affected indirectly by devaluation of exchange rate, liberalization of external trade and dis protection to industry. Then came new international trade accord and WTO, requiring opening up of domestic market. Initially there were strong apprehensions about the impact of trade liberalization on Indian agriculture which later on turned out to be real threat for several commodities produced in the country.

CHARACTERISTICS OF AGRICULTURAL PRODUCE

Agricultural products have certain characteristics of their own which necessitate a completely

different system of marketing for them. Some of the characteristic features of Indian agricultural system are:

(1) Uncertainty

There is a high degree of uncertainty in Indian agricultural system because it is largely dependent on the rainfalls. The tropical climate has a great influence on agriculture and, it is very difficult to forecast the volume and quality of output. A cultivator can only plan the production of a certain crop but the final output considerably depends upon weather, disease, pests, flood, storm etc. over which he does not possess any control. On the other hand production in the factories can be controlled, regulated and adjusted according to the existing or anticipated demand.

(2) Heterogeneity of produce

The quality of agricultural products cannot be controlled as it can be done for the other products. This lack of standardization of quality makes the task of gradation and assortment very difficult for the marketers.

(3) Perishability

Agricultural commodities are more perishable than industrial goods. Although, some crop such as rice, wheat, gram etc. retain their quality for a long time but most of the farm products are perishable and cannot remain long on the way to the final consumer without suffering loss and deterioration in quality. This makes the task of a marketer very difficult because he has to store the product in the best possible conditions and make it available to the consumer at the earliest convenience.

(4) Seasonality

Seasonal character of agriculture is also a problem in itself and production cannot be adjusted to the changes in level of demand. We can neither shut-off agricultural production nor mould it at once. Hence maintaining smooth supply of agricultural products throughout the year; calls for good and large storage space.

(5) Processing

Some of the agricultural products like sugarcane, cotton, jute, tobacco etc. have to be processed before they are consumed. This requires adequate processing facility.

(6) Bulkiness

Agricultural products tend to be bulky and their weight and volume are high when compared with their value. This makes their storage and transportation difficult and costly.

CLASSIFICATION OF AGRICULTURAL PRODUCTS

Agricultural products can be classified into various categories on the following basis:

(1) On the basis of season

Agricultural products can be classified into two categories on the basis or seasons; Rabi and Kharif.

(i) ***Rabi*****:** Sowing is done from October to December and harvesting season is from March to May. The various Rabi crops include wheat, gram, peas, potatoes and barley.

(ii) ***Kharif*****:** Sowing for the crops is done from April to July and harvesting is done from September to December. The various crops of Kharif season include rice, sugarcane, jowar, jute, bajra, maize, cotton and groundnut.

(2) On the basis of encashability

Agricultural products can be divided into two categories-food crops and cash crops. The food crops refer to rice, wheat, barley, maize etc. while cash crops or commercial crops include tea, coffee, rubber, oil seeds, tobacco etc.

(3) On the basis of Perishability

Agricultural products can be classified into two categories. Perishable and non-perishable products. Generally all the vegetables fall in the category of perishable agricultural products as they survive only for a few days while cereals and pulses can survive for years and hence can be classified in the category of non-perishable agricultural products.

(4) On the basis of processing

Some products require processing before they are finally consumed while others need no processing at all. Sugarcane, cotton, jute, wheat, rice etc. require processing but these cannot be concerned vegetables, milk fishes etc. do not require any processing. After understanding agricultural products and their unique features, let us now move to agricultural marketing.

MEANING & DEFINITION OF AGRICULTURAL MARKETING

The term agricultural marketing is composed of two words -agriculture and marketing. Agriculture, in the broadest sense means activities aimed at the use of natural resources for human welfare, and marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. Specification, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and cost, price spread and market integration, producer's surplus etc. The agricultural marketing system is a link between the farm and the non-farm sectors. In India Agriculture was practiced formerly on a subsistence basis; the villages were self sufficient, people exchanged their goods, and services within the village on a barter basis. With the development of means of transport and storage facilities, agriculture has become commercial in character; the farmer grows those crops that fetch a better price. Marketing of agricultural produce is considered as an integral part of agriculture, since an agriculturist is encouraged to make more investment and to increase production. Thus there is an increasing awareness that it is not enough to produce a crop or animal product; it must be marketed as well as agricultural marketing involves in its simplest form the buying and selling of agricultural produce. This

definition of agricultural marketing may be accepted in olden days, when the village economy was more or less self-sufficient, when the marketing of agricultural produce presented no difficulty, as the farmer sold his produce directly to the consumer on a cash or barter basis. But, in modem times, marketing of agricultural produce is different from that of olden days. In modem marketing, agricultural produce has to undergo a series of transfers or exchanges from one hand to another before it finally reaches the consumer.
The National Commission on Agriculture defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post- harvest operations, assembling, grading, storage, transportation and distribution. The Indian council of Agricultural Research defined involvement of three important functions, namely

i. Assembling (concentration)
ii. Preparation for consumption (processing) and
iii. Distribution.

FUNCTIONS OF AGRICULTURAL MARKETING

Agricultural marketing functions are many and varied. The part played by each function varies widely as regards to the specific goods and services. It may further be noted that these functions are indispensable regardless of the institution or agency which performs them or the commodity in connection with which they are performed. These functions are closely related to each other and cannot be isolated from one another. Accordingly, the functions of agricultural marketing can be classified into three broad categories:

i) Exchange functions;
ii) Physical functions; and
iii) Facilitative functions.

(1) Exchange Functions

Exchange functions are considered to be the most important of all the functions of agricultural marketing. These mainly include functions related to buying and selling. Buying and selling are complementary to each other and one cannot take place without the other. Buying function is largely one of seeking the sources of supply, assembling of products and activities which are associated with the purchase of goods, raw materials-etc. Selling is the process which stimulates demand or desire, finds the buyer, advises the buyer, and negotiates with him to bring about a transfer of title.

(2) Physical Functions

These functions relate to the physical handling of agriculture produce either in moving it from one place to another or in storing it over a period of time. Agriculture produce has to be moved from threshing floors to the consuming areas, because it is not consumed at the place of its production. Then, on account of seasonal operations, agricultural production cannot be undertaken at will. This can be done in a particular season only under a particular set of conditions. On the contrary, the demand for agricultural produce exists all the year round. Hence, there must be some system by which the year's, crop may be used throughout the year. This requires extensive transportation and storage facility. Storing operations may, however, take place anywhere along the channel of distribution from production to consumption and it may be performed by the producer, processor, distributor or even the consumer.

(3) Facilitative functions

As the very name of these functions implies, they involve neither transfer of title to goods

nor handling of the product but help in the smooth discharge of the above functions. The function of classification and grading helps in classification and sorting out of commodities according to size, quality colour, weight, etc. This makes the determination of prices easy and thereby assumes a fair return to the producer, on the one hand, and good quality produce to the consumer, on the other, without any trouble to either. Then, there is always a time lag between the assembling of commodities and their sale in the consuming markets. During this period, somebody's money remains tied up in the stocks. This creates the problem of finance. Further, the growing vastness between the place of production and place of consumption has made the function of market information invaluable. This function involves activities of collecting, interpreting and disseminating market news to various agencies including producers residing in the interiors of the country. This helps the government in formulating policies and plans of production and marketing of good. Lastly, no business can be done without undertaking the inherent risk which may be caused either due to a decline in price, bad debts or deterioration of the produce itself by fire, flood etc. These risks have to be borne by someone in the channel. Physical risks may be covered under insurance while risks stemming from price fluctuations are handled through the hedging operation.

ORGANIZATION OF AGRICULTURAL MARKETS

In order to know more about agricultural marketing, let us discuss how agricultural marketing activities are organized. This calls for a clear understanding of types, structure and functionaries of agricultural markets.

Classification of Markets

The various basis on which agricultural markets may be classified are:

1. Frequency

On the basis of the frequency at which the markets are held, they can be classified as daily, weekly, fortnightly, etc.

2. Types of products traded

Different markets deal with different products. While some might deal with all products, a few markets might specialize in some products. On the basis of the type of product traded, they can be named as Grain markets, Cotton markets, Fruit & Vegetable markets, etc. It is relevant to quote 'gur mandi, noon mandi etc.' in Ludhiana and Amritsar. They specialize in one single commodity only, although now-a-days they are dealing with other products also.

3. Types of transaction

On the basis of their transactions, the agricultural markets can be classified as spot and forward markets. The spot markets undertake those transactions only in which the exchange is affected at the current prices; while in the forward markets, the commodities are traded for future delivery. The future markets resemble with the future trading system of stock market.

4. Area Served

Depending upon the type of area served, the agricultural markets can be classified as Local, Central, etc. The local markets cater to the needs of only the local population, while the central markets are located in the city center and cater to the needs of the entire city or the region. The latter are much bigger in size and area of operation.

Other bases of classification

It may, however, be noted that there is no rigidity in these classifications and one classification overlaps the other. However, for our discussion, let us classify agricultural markets into primary, secondary and terminal markets.

(1) Primary Markets

These are periodical markets locally known as 'Haats'. They are generally held once or twice a week. The days on which these markets meet are fixed so that traders can visit the area. They are generally held in the open and along roadsides in important or centrally situated localities. These markets are situated in the producing areas and commodities produced in the surrounding tracts are mainly sold in them. A part of the produce is purchased by the small retailers who, further, sell it to the non-farm rural population. During the lean season, a part of the produce might be sold back to the cultivators themselves. The rest of the produce is purchased by intermediaries and finds its way to the wholesale market. Besides agricultural produce, a number of other articles required by rural folk such as salt, tobacco, oils, gur, fruits and vegetables, spices, cloth, hosiery products and ornaments of cheap metals are also sold in these markets.

These markets usually serve an area of 10 kms radius but it may be more, ranging from 10 to 50 kms, depending upon the availability of communication and transportation facilities, nature of commodities handled and the location of the market with respect to other markets. The basic function of these markets is to serve as
assembling centres for the local produce but they also function simultaneously as distributive centres for local consumption. Although, these markets are unorganized, they do, serve the useful purpose of providing a common meeting place for buyers and sellers. In spite of being situated in rural areas, the prices ruling in these markets are influenced by those prevailing in the wholesale markets.

(2) Secondary markets

These markets, also known as 'Mandis', are regular wholesale markets and provide a permanent place for daily transactions. The work starts in them early morning and continues till all transactions are over. These markets are generally situated in the towns, districts, and important trade centres. Usually they are situated near railway stations. Shops or 'Arhats' are built in these markets. Postal, Banking and telephone facilities are available at such places.

(3) Terminal Markets

A terminal market is the place where the produce is either finally disposed of to the consumer or to the processor or assembled for exports. Such markets are usually situated in metropolitan cities like Delhi, Bombay, Madras and Calcutta etc. In these markets, merchants are well organized and use modern marketing methods.

MARKET FUNCTIONARIES

Beginning from the agriculturists, down to the final consumer, one can find a long chain of different functionaries. Let us discuss these functionaries under two heads viz.

i) Functionaries at village level
ii) Functionaries at Mandi level

(1) Functionaries at village level

Some important functionaries operating at village level are:

a) Big Cultivators;
b) Village Merchants; and
c) Itinerant Traders.

(a) Big Cultivators

Big cultivators with large holdings and substantial marketable surplus constitute the first type of market functionaries operating at village level. They also own tractor, carts and other means of transportation. Massive volume of marketable surplus at their disposal is the result of both their own large-scale cultivation as also of the seasonal purchases conducted at the village level. In fact, they create buffer stock by purchasing grain in the season and selling it afterwards in nearby
'Mandis'. Small cultivators sell their surplus grain either to them or through them.

(b) Village Merchants

They are known by different names in different parts of India such as 'Beopari', 'Baniya', 'Sahukar', 'Paikars', 'Farias', etc. They constitute one of the most important assembling agencies at village level. Although, they operate in some cases with their own capital but in rest or the cases they are financed by 'Arhatias' or 'Arhatdars' or large wholesale traders in assembling and distributing centres. Village Merchants' job is to collect the marketable surplus from villages and village markets and carry it to the wholesale mandis or nearest towns. It is in this manner and through these agencies that the marketable surplus is brought to the secondary and terminal market.

(c) Itinerant Traders

They are petty merchants who move between villages and purchase the produce for cultivator. They either own some animal such as pony or possess carts to transport the produce to the nearby market. They offer a lower price than that ruling in the nearby market as they take into consideration all factors such as transportation, market charges and their profit margin. They generally pay the cultivators in 3-4 days after the produce has been disposed of in the market and payment has been received from 'Arhatia'.

(2) Functionaries at mandi level

Important functionaries at Mandi level are:

a) Arthatias;
b) Brokers; and
c) Co-operative Marketing Societies.

a) Arhatias

The most important functionary to be found in bid mandis are 'Arhatias' who include both buyers on commission and outright buyers. Broadly speaking, the Arhatias can be grouped under two heads, viz., Kuchha Arhatias and Pucca Arhatias.

***i) Kuchha Arhatias*:** They are small commission agents. Their sphere of activity is

purely local and they act mainly as middlemen or an intermediary between the primary producer or seller and the buyer in the large wholesale market. Such a person seldom buys on his own account. His main business is to establish contact between producer-seller and the buyer in the assembling market. He also advances money to the cultivators and village banias on the condition that the produce will be disposed of through him alone and hence, changes a very nominal rate of interest on the money advanced.

***ii) Pucca Arhatias*:** They are generally big firms of some substance and they mostly deal in grains, oil-seeds, and other agricultural products either as agents or act on their own account. They also help in assembling of the

farm products by financing the operations of the 'Kuchha- Arhatias' and small traders.

b) Dalal (Brokers)

Their main function is to bring buyers and sellers together. They differ from the Arhatias in the sense that they have no fixed business of their own. They charge commission from the buyers and the sellers.

c) Co-operative Marketing Societies

These have been established under the integrated Rural Credit and Marketing Scheme initiated under the Second Five-year Plan. The main function of these societies is to sell the product of their members. They also undertake outright purchases, provide storage facilities for storage and grading, and thus save cultivators from exploitation by traders, and help the farmers in securing a fair price for their produce.

METHODS OF SALE

The methods of sale or fixation of rate prevalent in agricultural markets may be as follows:

(1) Under Cover (Haththa) Method

In this method, the buyer or his broker and commission agents join hands under the cover of cloth usually a towel or a dhoti or front portion of kurta or shirt. The price is settled by pressing the fingers. The negotiations go on in this secret manner till they are called off due to failure in arriving at as on agreed price, or a price is settled. The commission agent then informs the seller and asks for his consent to sell. He is, however, not told anything about the price offered by other buyers. The undercover method of sale is advocated to be advantageous by the middlemen group. This method has ample scope for malpractices against the interests of sellers because of secret
negotiations. Now-a-days, traders are shifting from this method to private negotiations.

(2) Auction Method

Under this method, the prospective buyers gather around separate heaps of grains and announce their bids loudly. When the bids have reached the highest, the auctioneer who is generally a commission agent, in consultation with the seller, sells the produce to the highest bidder. The auction system is definitely better than the undercover system as this increases

competition among the buyers and the rates are very likely to rise if there is fairly strong demand for the product. Moreover the chances of malpractice are also minimal.

(3) Private Negotiations

This is the most common method of sale. Under this method, individual buyers or their brokers visit the shops of commission agents, inspect the quality of grains and offer rates as they think appropriate. Both the parties then negotiate on the rates and if both agree on rates, the deal is struck.

Box 4.1 Contract Farming

In the recent times, contract farming is becoming very popular. Since the land holdings are getting smaller, the farmers cannot make heavy investment in agriculture, nor are they ready to take the risk of diversifying to other crops. In this situation, businesses corporate are coming into picture. They enter into a contract with the farmers and take their piece of land on a sort of mortgage. They provide all the inputs to the farmer, including the seeds, fertilizers etc. The farmer has to provide the services of sowing the crop, watering and taking other care. After the crop is ready, the entire crop is lifted by the business corporate, at a price which is decided in advance.

This method has several advantages. The farmer gets a remunerative price and the manufacturer gets a good quality produce at a fixed price throughout the year. The contract farming shall emerge as an important method of agricultural marketing and shall have a long term impact on the existing system.

Many big companies are into this system of farming. Pepsi is practicing it in Punjab, wherein it is getting the tomatoes sown with the farmers. The entire produce is lifted and processed into sauce. Airtel (telecom giant) is also starting a similar venture in Punjab and many more companies are planning to start the same.

OBJECTIVES OF AGRICULTURE MARKETING

- To enable the primary producers to get the best possible returns,

- To provide facilities for lifting all produce, the farmers are willing, to sell at an incentive price,

- To reduce the price difference between the primary producer and ultimate consumer, and

- To make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce

In order to have best advantage in marketing of his agricultural produce, the farmer should enjoy certain basic facilities.

- He should have proper facilities for storing his goods.

- He should have holding capacity that means; he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.

- He should have adequate and cheap transport facilities which could enable him to take his surplus produce to the mandi rather than dispose it of in the village itself to the village money-lender-cum-merchant at low prices.

- He should have clear information regarding the market conditions as well as about the ruling prices, otherwise may be cheated. There should be organized and regulated markets where the farmer will not be cheated by the -*dalals*- and –*arhatiyas*

- The number of intermediaries should be as small as possible, so that the middleman's profits are reduced. This increases the returns to the farmers.

- Indian system of agricultural marketing suffers from a number of defects.

As a consequence, the Indian farmer is deprived 'of a fair price for his produce.

AGRICULTURAL MARKETING PROCESS

Agricultural marketing process involves wide variety of functions such as:

(i) Assembling
(ii) Grading and standardization
(iii) Processing and Storage
(iv) Transportation
(v) Wholesaling and retailing

The process of agricultural marketing begins with the farmer and end up with the consumer. In between these two extreme ends one can find many intermediaries like transporters, warehouse owners, commission agents, wholesalers, retailers etc. performing their duties to enable the agricultural marketing process to reach its completion.

(1) Assembling

At the start of the process, the assembling of goods is important. Agriculture produce is

collected in small lots and then assembled into large ones. This function becomes essential because of small size of farms and small quantity of production.

(2) Grading and standardization

When goods are assembled, grading and standardization have to be undertaken. Because of the difference in tastes and needs of the buyers, whatever is assembled is to be classified in different lots according to their inherent qualities, such as colour, size, taste and utility. The classification is effected on the basis of certain specific characteristics which are codified into grades and then become standard by which the assembled lots are judged.

(3) Processing & Storage

Some of the agricultural commodities may, then, undergo the processing. For example, wheat may be turned into flour, cotton into cloth and oilseeds into oil. During the processing the goods are transformed so as to increase their shelf life and to make them more acceptable to the consumer than in their original form. The manufactured goods may not, however, be immediately disposed of and may require space for storage. The needs of storage brings into the existence of warehouses and godowns.

(4) Transportation

For the final consumption, the goods have to be moved from the point of storage to the point where they are in actual demand. This may require their transportation over long distances and across many lands. It may be necessary to store them again for a while on arrival before they could be sold to the wholesalers and through them to the retailers.

(5) Wholesaling and retailing

The task of making the goods available to the consumer for the final consumption is entrusted upon the wholesalers and the retailers. They are the final link in the process of agricultural marketing and they play vital role in the entire process.

IMPORTANCE OF AGRICULTURAL MARKETING

Agricultural marketing is a specific part of marketing. It is related to agricultural products only. It is the base of most of the economic activities of a country. It brings marketable surplus to the market for sale. Farmers will keep a portion of their produce for self-consumption and cattle and the remaining portions are left for sale. Higher level of marketable surplus leads to greater economic development. The importance of agricultural marketing is as follows:

Optimization of input use and output produced: Agricultural marketing leads to the optimization of resource use and output management. An efficient marketing system can contribute to an increase in the marketable surplus by scaling down the losses arising out of the Agricultural Marketing inefficient processing, Storage and transportation. A well-designed system of marketing can effectively distribute the available stock of modern inputs and thereby sustain a faster rate of growth in the agricultural sector.

Increase in farm income: An efficient Marketing system guarantees to the farmers better prices for farm products and induce them to invest their surpluses in the purchase of modern inputs so that productivity may increase. This again results in increase in the marketed

surplus and income of the farmers.

Widening of markets: A well known marketing system widens market for products, by taking them to remote corners of the country to areas far away from the production point e.g. paddy produced in Punjab and Haryana are sold in remote tribal areas.
Another example is potato. The widening of the market helps in increasing the demand on a continuous basis and thereby guarantees a higher income to the producer.

Growth of agro-based industries: The agricultural marketing system helps in the growth of agro-based industries and stimulates the over all development process of the economy. Many industries depend on agriculture for the supply of raw materials e.g. sugar industry, cotton industry, and silk industry.

Price movements: An efficient marketing helps the farmers in planning their production in accordance with the need of the economy. This work is carried out through the price signals.

Adoption and spread of new technology: The marketing system helps the farmers in the adoption of new scientific and technical knowledge.

Employment: The marketing system provides employment to millions of persons engaged in various activities such as packaging, transportation, storage and processing.

Addition to National income: Marketing activities add to the Nation's Gross National Product.

Better living: Any plan of economic development that aims at diminishing the poverty of agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste has to pay special attention to the development of an efficient marketing for food and agricultural products.

Creation of Utility: Marketing creates the following four types of utilities of the product:

A. Form Utility: The processing function adds form utility by changing the raw material into finished products e.g. paddy- rice; Wheat- bread, biscuit, cake; Milk ghee, cream, cheese, skimmed milk, butter.

B. Place Utility: The transportation function adds place utility to products by shifting them to a place of need from the place of plenty e.g. potatoes in plain, milk at urban places.

C. Time Utility: The storage function adds time utility to the products by making them available at the time when they are needed e.g. tamarind, rice in offseason.

D. Possession Utility: The marketing functions buying and selling helps in the transfer of ownership of goods from one person to another in the marketing system. The points of view of producer, middlemen, and consumers are different, but each is individualistic and concerned with his profit. From the producer point of view, it is important to know whether the prices prevailing in the market enable him to continue to produce or not, and what he should produce and where and at what time he should sell it. Large-scale production requires skill to sell it at remunerative price. A consumer looks at marketing from the point of view of good and the prices at which they are offered. Middlemen try to increase his profit margin by discharging various marketing functions. Marketing has greater importance and significance for the society as a whole than for any of the individual beneficiaries of the marketing process.

CHALLENGES OF AGRICULTURAL MARKETING

Organized marketing of agricultural commodities has been promoted in India through a network of regulated markets owned, operated, and managed by Agricultural Produce Market Committees (APMCs). Most of the State Governments and Union Territories have enacted legislation (APMC Act) to provide for regulated markets and as on today, 7557 markets have been covered under regulation. Besides, there are
21,731 Rural Periodic Markets (RPMs), about 15 percent of which function under the ambit of regulation. The major challenges in domestic agricultural marketing are as follows:

1. Variation in Market Fees/Market Charges

According to the provisions made in the APMC Act of the States, every market Committee is authorized to collect market fees from the licensees (traders) in the prescribed manner on the sale of notified agricultural produce brought by the farmers or traders in the market area at such rates as specified by the State Government. The number of commodities brought under the ambit of regulation varies from state to state. The market fee varies between 0.50 percent in Gujarat to 2 percent in Punjab and Haryana. The charges payable by buyers and sellers are also different. Several state governments have introduced other taxes/fees/cess/that create considerable confusion.

2. Neglect of Rural Markets

There are more than 21000 rural periodic markets which have remained outside the process of development. These markets constitute the first contact points between the producer seller and the commercial circuits. Most of these markets lack the basic minimum facilities.

3. Absence of a Common Trade Language

Different set of standards/specifications for agricultural commodities are followed by different organizations in the country. The standards laid down in the PFA Act are the National Standards. Besides this, there are Agmark Standards, BIS Standards, Standards followed by Army, Standards fixed by Warehousing Corporations and those by Food Corporation of India for procurement purposes. Traders of different commodities have got their own trade standards in different localities in the country.
Thus, the absence of common trade language is a major deterrent for evolving a competitive agricultural marketing system in the country.

4. Variation in Entry Tax/Octroi and Sales Tax

The rates of entry tax/octroi tax and sales tax levied on different agricultural commodities vary from State to State which increases the cost of agricultural produce and gives distorted signals to farmers hampering production growth, and brings trade distortions. These also create hassles on the state borders causing considerable delays in interstate movement of goods.

5. Controls Under Essential Commodities Act

Though central government removed all restrictions on storage and movement of

commodities, many state governments are still enforcing several control orders promulgated under the EC Act. These control orders give rise to rent-seeking by the enforcement functionaries at the border check points creating artificial barriers on the movement and storage of agricultural commodities. There has not been sufficient publicity about the withdrawal of restrictions under ECA. With the reintroduction of stocking limits recently, the situation has again become complex.

6. Other Barriers

Lack of infrastructure like storage, transportation, telecommunication, quality control, packaging, price risk management, integration of spot markets with commodity exchanges, pledge financing through a chain of accredited storage and warehouse receipt system, cool chains, market led extension, and conducive framework for promotion of contract farming are some of the other important constraints for competitive agricultural marketing system in the country.

OPPORTUNITIES IN AGRICULTURAL MARKETING

- India is endowed with varied ago-climate, which facilitates production of temperate, sub-tropical and tropical agricultural commodities.

- There is growing demand for agricultural inputs like feed and fodder, inorganic fertilizers, bio-fertilizers.

- Biotechnology applications in agriculture have vast scope in production of seed, bio-control agents, industrial harnessing of microbes for bakery products.

- Export can be harnessed as a source of economic growth. As a signatory of World Trade Organization, India has vast potential to improve it present position in the World trade of agricultural commodities both raw and processed form. The products line include cereals, pulses, oilseeds and oils, oil meal, spices and condiments, fruits and vegetables, flowers, medicinal plants and essential oils, agricultural advisory services, agricultural tools and implements, meat, milk and milk products, fish and fish products, ornamental fish, forest by products etc.

- At present processing is done at primary level only and the rising standard of living expands opportunities for secondary and tertiary processing of agricultural commodities.

- The vast coastal line and internal water courses provides enormous opportunity for production of marine and inland fish and ornamental fish culture gaining popularity with increase in aesthetic value among the citizens of India.

- The livestock wealth gives enormous scope for production of meat, milk and milk products, poultry products etc

- The forest resources can be utilized for production of byproducts of forestry.

- Beekeeping and apiary can be taken up on large scale in India.

- Mushroom production for domestic consumption and export can be enhanced with improvement in the state of art of their production.

- Organic farming has highest potential in India as the pesticide and inorganic fertilizer application are less in India compared to industrial nations of the world. The farmers can be encouraged and educated to switch over for organic farming.

- There is wide scope for production and promotion of bio-pesticides and bio-control agents for protection of crops.

- Seeds, hybrid and genetically modified crops, have the highest potential in India in the future, since the productivity of high yielding varieties have reached a highland.

- Micro-irrigation systems and labor saving farm equipments have good potential for the years to come due to declining groundwater level and labor scarcity for agricultural operations like weeding, transplanting and harvesting.

- Production of vegetables and flowers under green house conditions can be taken up to harness the export market.

- Trained human resources in agriculture and allied sciences will take on agricultural extension system due to dwindling resources of state finance and downsizing the present government agricultural extension staff as consulting services.

- The enhanced agricultural production throws open opportunities for employment in marketing, transport, cold storage and warehousing facilities, credit, insurance and logistic support services.

NEED OF PARADIGM SHIFT

India has made many strides on production front but awfully lacking in the field of agricultural marketing. These inadequacies are becoming more acute with the significant changes taking place in agri-food systems in domestic and overseas markets; the attainment of competitiveness is becoming increasingly dependent on the capacity of the country to develop effective and efficient agricultural marketing. Presently agricultural marketing system in India suffers from number of constraints i.e. infrastructure related, government regulation related, technology related, poor information on domestic and overseas markets and opportunities, unstable and uncertain produce prices, delayed and late payment to producers and low producer's realization.

While considering the infrastructure requirements, it is imperative to examine various marketing channels that are prevalent in the country and their status for handling the marketed surplus and the fast evolving value chain management models and new marketing management practices that are coming into existence. The perspective of creating ideal infrastructure should also cover the latest concerns of food quality and safety. The infrastructure should also cover the complete supply chain. The existing marketing infrastructure in the form of Rural Primary Markets, wholesale and assembling markets, grading and quality control systems, retail markets, storage including cold chain infrastructure, infrastructure required for linking the commodity futures with the farmers,

perishable cargo centers, rural farm road infrastructure, market information infrastructure, infrastructure for livestock markets, poultry and livestock meat markets, slaughter house facilities and quality assurance infrastructure of various agricultural commodities was examined and found that it is far below the desired/required levels both in terms of capacity and quality of facilities. This infrastructure is also inadequate to realize the potential competitiveness of multiple commodities for taking them to the global markets. On the other hand, the enabling legal environment for promoting the private investment is just evolving with the proactive facilitation by Central Government and willingness of majority of states.

The regulation of the marketing system by the state governments, though provided better marketing practices in the initial years of their establishment, in view of changing circumstances and demand of new marketing practices, the regulation has outlived its purpose. The fragmented marketing system and lack of infrastructure are the serious constraints and are acting as competitiveness challenges for our commodities.

In a globalised trade regime, it is essential to link the farmers with the markets with state-of-art infrastructure. This effective linkage can alone remove the constraints of logistics, quality maintenance and thus, compete with global products. Analysis of international market development scenario reveals that encouraging large scale integrated players to develop the supply chains in various commodities with latest technology infrastructure is the right approach suitable for Indian conditions. The existing system of fragmented handling of various supply chains should be converted into integrated handling systems with state-of-art infrastructure so as to ensure better realization to the farmers. The appropriate model of marketing infrastructure under Indian conditions should consist of the following fundamental principles and should meet the following requirements:

- Direct sourcing from the farmers and limiting the intermediaries to bare minimum.

- Value addition activities such as cleaning, grading, packing, primary processing, and storage should take place nearer to the farm or production center.

- Organizing the farmers into growers' groups/commodity groups/ cooperatives/self help groups/producer companies is necessary to ensure the participation of diversely located small and marginal farmers and their linkage with markets.

- Proactively promoting grades and standards through capacity building and infrastructure creation, instead of leaving to the private retail chains to come up with their own standards and grades. Private grades and standards, as prevalent in other countries, will be disastrous to resource poor Indian farmers. This situation should not be permitted.

- Instead of leaving to the retail companies to evolve sourcing models, Government can proactively prepare the farmer groups to interact and establish linkage with retailers. The infrastructure for primary handling needs to be created for a village or group of villages in the form of primary value addition and multi-purpose service Centre's through Public Private Partnership. These centers could be managed by Co-operatives, SHGs, farmers' clubs and producer groups and linked to wholesale markets/retail markets/direct marketing.

- Handling at least 50 percent of perishables through uninterrupted cool chain from farmer to the consumer.

- There is necessity to continue modernizing existing marketing channels/systems so as to enhance the marketing efficiency and efficiency of handling the food.

- Introducing professional, managerial practices in running the market and bring efficiency into the system, if required by outsourcing.

- Bring some of the existing markets under professional management through Public Private Partnership. Some of them could be outsourced for professional management.

- Create alternate marketing opportunities to farmers for selling their produce at better prices.

- Creating quality consciousness in handling the produce and capacity building for appropriate grading, good agricultural practices and food safety standards.

- Promoting consumer demand for safe and healthy foods, so that the demand will drive the implementation of food safety measures. This ultimately enables us to capture global markets.

- Price incentives will provide demand-pull for quality and safe food and ultimate traceability.

- Leveraging the ICT for empowering the farmers and farmers groups.

- Creating environment for private and PPP investments.